

CITY OF SAN DIEGO
OFFICE OF THE INDEPENDENT BUDGET ANALYST

MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR OCTOBER 2012

Reports Highlighted for October 2012:

Report No. 12-43 (10/8/12)
“Special Promotional Programs Funding & The Penny for the Arts Five-Year Blueprint”

Report No. 12-45 (10/18/12)
“Sunshine Act Fiscal Impacts”

Highlights of Major Reports Issued in October

Report 12-43 “Special Promotional Programs Funding & The Penny for the Arts Five-Year Blueprint”

Report 12-43 discusses the Penny for the Arts Five-Year Blueprint (Blueprint) presented by the San Diego Commission for Arts and Culture (Commission). Implementing the Blueprint calls for an increase to the Arts, Culture, and Community Festivals allocation within the TOT Fund via the Special Promotional Programs budget which is funded by 5.0 cents of the 10.5 cent Transient Occupancy Tax (TOT). This would increase funding from \$7.8 million budgeted for FY 2013 to \$17.9 million in FY 2017, an increase of \$10.1 million over the next four fiscal years.

The budget for Special Promotional Programs is \$74.4 million for the FY 2013 Adopted Budget. Funding allocations within the budget include Arts, Culture & Community Festivals (\$7.8 million); capital improvements (\$15.3 million); economic development (\$1.8 million); the major events revolving fund (\$0.15 million); Council discretionary TOT to the General Fund (\$14.5 million); and safety & maintenance of visitor related facilities (\$34.8 million). Our office notes that if the allocation to the Arts, Culture & Community Festivals increases, there may be an impact to the other expenditure categories that also receive an annual allocation.

The Commission anticipates that additional revenue necessary to support the Penny for the Arts will come from TOT revenue growth which is projected at 5% annually for each year of the Blueprint (through 2017). The Commission assumes that a large share of the TOT revenue growth would be dedicated to funding the increased Arts allocation, effectively reducing potential increases in the budgeted levels for the other expense categories within the Special Promotional Programs budget. In evaluating this funding plan, consideration must be given to the potential budget tradeoffs that would likely occur if a large percentage of TOT Fund revenue growth through FY 2017 is dedicated to implementing the Blueprint. Additionally, actual availability of this funding will depend on continued improvements within the economy over the period of the Blueprint, supported by an increase in lodging occupancy and room rates in San Diego. Our office indicates that there currently is not enough data to support an expectation of additional revenue due to TOT growth for FY 2013, although growth rates in outer years of the Blueprint are reasonable given current available economic data and forecasts.

This report also addresses the City’s uncertain financial outlook due to potential fiscal impacts such as Proposition B implementation costs, redevelopment dissolution, and lower than expected revenue performance, which may result in possible deficits in future fiscal years. This financial outlook for the City will constrain the ability to meet the goals outlined in the Blueprint as funding needs create more of a demand on the TOT Fund to continue to support qualifying promotions related activities that would otherwise be supported by the General Fund. Allocating anticipated TOT growth to enhance support to Arts, Culture and Community Festivals will have to be weighed within the context of other competing needs within the City.

The Penny for the Arts Five-Year Blueprint was heard at Council on October 22, 2012. The City Council unanimously voted to approved the Blueprint, which includes the plan to increase the Arts, Culture and Community Festivals funding allocation within the TOT Fund.



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Report 12-45 “Sunshine Act Fiscal Impacts”

In Report 12-45, our office reviews potential fiscal impacts that may be associated with the Sunshine Act’s implementation. This Act was first introduced to the Rules Committee on June 27, 2012 by Councilmember DeMaio, and requires the following information be posted online in a centralized and searchable format for public access:

1. Text of all contracts for consultants, goods, and services entered into the City valued at more than \$25,000 and a written justification from the Mayor for any sole source contract;
2. A list of all vendors of goods or services that received payments totaling \$25,000 or more cumulative from the City by fiscal year;
3. City construction contracts valued at more than \$25,000 in accordance Proposition A;
4. All Memoranda of Understanding with each of the City’s recognized employee organizations for the proceeding five years;
5. Employee compensation information as mandated and defined by the State Controller’s Office for the preceding five years.

This report provides an overview of what will be required to implement these components and discusses any estimated increased budget impacts associated with them. Our office found that in many cases the data required to comply with the Sunshine Act is already available or being produced, resulting in a zero dollar impact to the City’s Budget. With the exception of posting construction contracts over \$25,000 in accordance with Proposition A, existing City staff will be used to comply with the Sunshine Act. As a result, staff workloads may increase, which could potentially impact other programs in various departments. Staff believes that workload impacts will need to be evaluated once the Sunshine Act is implemented.

Initial fiscal impact analysis of the Proposition A component of the Sunshine Act was estimated at \$450,000 annually with \$500,000 required for one-time expenses. Since then, staff has reduced those estimates to \$97,000 annually with \$18,000 for one-time set-up expenses. In anticipation of the original costs estimated by the analysis, funding was included in the FY 2013 budget for this purpose. This results in a zero-dollar impact to the City’s budget, since associated costs for the Proposition A related component of the Sunshine Act are less than anticipated.

The City Council voted unanimously to establish the Sunshine Act on October 23, 2012. Staff estimates that they will be able to fully implement the Sunshine Act starting in July 2013.

Other Reports Issued in October 2012:

Report No. 12-42REV (10/23/12)

Attachment 1

“Fiscal Year 2014 Budget Development Calendar”

Report No. 12-44 (10/19/12)

Attachment 1

“Comprehensive Economic Development Strategy: Possible Goals for Committee Consideration & Inclusion into the Strategy”



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